

HOUSE BILL REPORT

HB 3380

As Reported by House Committee On:
Finance

Title: An act relating to financing options for housing and arts, heritage, cultural, and community development programs. .

Brief Description: Relating to financing options for housing and arts, heritage, cultural, and community development programs.

Sponsors: Representative Hunter.

Brief History:

Committee Activity:

Finance: 3/3/08 [DPS].

Brief Summary of Substitute Bill

- Shifts hotel-motel tax revenues currently deposited in a permanent and irreducible arts and heritage program endowment fund into a special arts and heritage program account and allows its principal to be available for expenditure.
- Directs all revenues from the hotel-motel tax in King County to arts and heritage programs from the time the Kingdome bonds are retired through December 31, 2015.
- Directs at least 37.5 percent of hotel-motel revenues in King County to arts and heritage programs beginning January 1, 2021.
- Prohibits cities in King County from imposing the hotel-motel tax.
- Requires the 2 percent King County car rental tax to be used for low-income housing upon repayment of baseball stadium bonds.

HOUSE COMMITTEE ON FINANCE

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 6 members: Representatives Hunter, Chair; Hasegawa, Vice Chair; Conway, Ericks, McIntire and Santos.

Minority Report: Do not pass. Signed by 3 members: Representatives Orcutt, Ranking Minority Member; Condotta, Assistant Ranking Minority Member; Roach.

Staff: Jeff Mitchell (786-7139).

Background:

Local Hotel-Motel Tax

A hotel-motel tax is a special sales tax on lodging rentals by hotels, motels, rooming houses, private campgrounds, RV parks, and similar facilities. Cities and counties are authorized to levy a "basic" or "state-shared," hotel-motel tax of up to 2 percent. These taxes are credited against the state sales tax on the furnishing of lodging. Other hotel-motel taxes are imposed in addition to ordinary state and local sales taxes and are added to the amount paid by the customer. The latter type are often referred to as "special" hotel-motel taxes.

A county hotel-motel tax must allow a credit for the amount of any tax levied by the cities within the county, thus precluding both the city and county tax from applying to the same lodging transaction. Except for the City of Bellevue, cities in King County cannot impose a basic hotel-motel tax until January 1, 2021. Thereafter, cities may impose the tax and the county will only receive revenues generated in the unincorporated areas.

Hotel-Motel Tax Funding for King County Arts

Beginning in 1987, the hotel-motel tax in King County not only applied to servicing the debt on the Kingdome, but a portion of the tax revenues above \$5.3 million per year was dedicated to arts and heritage programs in King County. Currently, 70 percent of the excess revenue is dedicated to the arts and heritage programs; however, 40 percent of the arts revenue is for the arts endowment fund, of which the principal cannot be touched. The remaining 30 percent of the revenue in excess of \$5.3 million is dedicated first to retiring the Kingdome debt, then to acquisition of open space lands, youth sports activities, and tourism promotion. This is to continue until the Kingdome debt is retired, then the full portion of the local hotel-motel tax in King County is dedicated to retiring the debt on Qwest Field. Beginning in 2012, the only known source of funding for the arts and heritage programs in King County is the earnings off the arts endowment.

4Culture

Established in January 2003, 4Culture is King County's cultural services agency. It continues the work of the King County Arts Commission, Public Art Commission, and the heritage programs of the Landmarks Commission. 4Culture is a tax-exempt public corporation, with a 15-member board of directors, who are nominated by the King County Executive and confirmed by the Metropolitan King County Council.

4Culture receives a portion of the hotel-motel tax revenues to provide funding to support the visual and performing arts, public art, heritage programs, and historic preservation.

Throughout King County, annual funding supports the activities of more than 200 arts and heritage organizations, hundreds of artists and heritage specialists, capital construction and fixed asset purchases, project support, and cultural education in public schools. In 2007 4Culture awarded 564 grants totaling \$5.8 million.

Qwest Field and Exhibition Center

In 1997 state and local financing was authorized for a new football stadium and exhibition center in King County. It is currently known as Qwest Stadium. The state's contribution to retiring the stadium and exhibition center bonds includes various tax credits, deferrals, exemptions, lottery revenues, and general obligation bonds. The Seattle Seahawks had to contribute at least \$100 million to the construction. Locally-generated tax contributions include:

- **Admissions and Vehicle Tax:** A 10 percent tax was authorized on admission charges to events in the stadium and exhibition center. A 10 percent tax on vehicle parking at the new facility was also authorized. Revenues from these taxes go first to retire the bonds, then into an account for future repairs and improvements.
- **Hotel-Motel Tax:** King County's share of the 2 percent hotel-motel tax is extended to 2020. The revenues may be used for Kingdome repairs and debt until 2015 or until the debt is repaid. Revenues may then be used for bond payments for the new stadium and exhibition center until 2020 and for Youth Athletic Facility Grants to cities, counties, or nonprofit organizations if sufficient money is available.
- **Car Rental Tax:** Seventy-five percent of the county-imposed 1 percent car rental tax must be used for Kingdome repairs and debt.

King County Car Rental Tax

King County is authorized to impose a 2 percent tax on car rentals. Tax collections are used for the repayment of principal and interest on bonds issued for the construction, maintenance, and operation of Safeco Field. The tax expires when the bonds are retired, but not more than 20 years after the tax is first collected.

Summary of Substitute Bill:

Intent

The Legislature finds that locally funded heritage and arts programs build vital communities and preserve community history and culture, and that local governments should be able to maintain these programs in the future using existing revenue sources.

Hotel-Motel Tax Funding for King County Arts

Heritage and preservation programs are added to the statutory list of arts and cultural programs that may receive hotel-motel tax revenues.

The 40 percent of the 70 percent of the hotel-motel tax revenues currently required to be deposited into an arts and heritage endowment fund must instead be deposited in a special account dedicated to arts and heritage programs. The requirement that the endowment fund principal be permanent and irreducible is removed.

Hotel-motel tax revenues must be used to retire the Kingdome debt, and may not be deposited into the Stadium and Exhibition Center Account until the debt is retired. From that time and continuing through December 31, 2015, all revenues from the hotel-motel tax in King County will be deposited into a special account dedicated to arts and heritage programs. As in current law, from January 1, 2016, through December 31, 2020, all revenues from the hotel-motel tax will be deposited in the Stadium and Exhibition Center Account to retire the debt on the stadium. Beginning on January 1, 2021, at least 37.5 percent of basic hotel-motel revenues in King County must be deposited into the special account.

Other Provisions

Cities in King County are not authorized to impose the hotel-motel tax on January 1, 2021, and thereafter.

King County must use at least 75 percent of its 1 percent car rental tax to retire the debt on the Kingdome stadium.

Upon repayment of baseball stadium bonds, King County must use proceeds from the 2 percent car rental tax for low-income housing.

Substitute Bill Compared to Original Bill:

The original bill is a title only bill. The substitute bill eliminates the language from the underlying bill and requires the following: (1) the principal amount in the arts and heritage program endowment fund is made available for expenditures on arts and heritage programs; (2) all revenues from the hotel-motel tax in King County are directed to arts and heritage programs from the time the Kingdome bonds are retired through December 31, 2015; (3) at least 37.5 percent of hotel-motel revenues in King County are directed to arts and heritage programs beginning January 1, 2021; (4) cities in King County are prohibited from imposing the hotel-motel tax; and (5) the 2 percent car rental tax is required to be used for low-income housing when the baseball stadium bonds are retired.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect July 1, 2008.

Staff Summary of Public Testimony:

(In support) The striking amendment to the bill would more effectively use local resources. It also prevents a 75 percent cut in funding for arts and heritage programs.

(Opposed) None.

Persons Testifying: Mike Woodin, 4Culture.

Persons Signed In To Testify But Not Testifying: None.